

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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Application of Southern California Gas Company (U 904 G) and San Diego Gas & Electric Company (U 902 G) to Proceed with Phase 2 of their Pipeline Safety Enhancement Plan and Establish Memorandum Accounts to Record Phase 2 Costs.

Application 15-06-013

(Filed June 17, 2015)

**REPLY COMMENTS OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G)
AND SAN DIEGO GAS & ELECTRIC COMPANY (U 902 G) ON
SAFETY AND ENFORCEMENT DIVISION'S ANALYSIS REPORT IN RESPONSE TO
THE APRIL 5, 2016 ASSIGNED COMMISSIONER'S SCOPING MEMO AND RULING**

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Dated: July 15, 2016

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Pursuant to the April 5, 2016 Assigned Commissioner's Scoping Memo and Ruling, Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) submit the following reply comments to address the comments of the Office of Ratepayer Advocates (ORA). As discussed below, ORA's recommendation to impose additional requirements as a result of the limited rescheduling of seven projects – one TIMP project, five PSEP Phase 1A projects, and one PSEP Phase 1B project – is unnecessary and should be rejected. Additionally, SoCalGas and SDG&E also include an alternative approach to address the rescheduled Phase 1B project.

**I. ORA'S RECOMMENDATION TO REQUIRE SOCALGAS AND SDG&E TO
FILE AN IMPLEMENTATION PLAN (PSEP) UPDATE IS UNNECESSARY**

ORA urges the Commission to order SoCalGas and SDG&E to file an updated and comprehensive PSEP to "provide the Commission and parties the latest information regarding SCG's/SDG&E's PSEP work and clearly show how the delays have affected (or will affect) the PSEP program in its entirety."¹ This recommendation is unnecessary for Phase 1 and, frankly,

¹ ORA Comments at 3.

what SoCalGas and SDG&E have been attempting to do for Phase 2 for over a year.²

For Phase 1, a comprehensive update is unnecessary and inefficient. In D.14-06-007 the Commission approved the proposed PSEP and “adopt[ed] the concepts embodied in the Decision Tree,”³ “adopt[ed] the intended scope of work as summarized by the Decision Tree,”⁴ and “adopt[ed] the Phase 1 analytical approach for Safety Enhancement...as embodied in the Decision Tree...and related descriptive testimony.”⁵ Rather than pre-approve cost recovery based on SoCalGas and SDG&E’s preliminary cost forecasts, however, the Commission adopted a process for reviewing and approving PSEP implementation costs after-the-fact.⁶ In other words, the Commission has approved the Phase 1 concepts and authorized SoCalGas and SDG&E to proceed with Phase 1. Consistent with that authorization, SoCalGas and SDG&E have been engaging in PSEP work and expect to have completed the higher priority (Phase 1A) pipeline pressure test and replacement work in 2018. Requiring SoCalGas and SDG&E to stop Phase 1 and refile PSEP is unnecessary, inefficient, and would lead to regulatory uncertainty.

For Phase 2, SoCalGas and SDG&E have been – for over a year – awaiting authorization to proceed with Phase 2 and create memorandum accounts to record costs associated with preparing a PSEP Phase 2 forecast application. In June of 2015 SoCalGas and SDG&E filed the

² Further, it is worth mentioning that ORA’s discussion of D.11-06-017 appears incomplete. ORA notes that D.11-06-017 required SoCalGas and SDG&E “to file and serve a proposed Natural Gas Transmission Pipeline Comprehensive Pressure Testing Implementation Plan (“Implementation Plan”), which was to reflect a timeline for completion.” (ORA Comments at 2 (*citing* D.11-06-017, mimeo, p. 31, Ordering Paragraphs (OP) 4 and 5)). D.11-06-017, however, did not require set dates, but rather required that the plans “reflect a timeline for completion that is as soon as practicable.” (D.11-06-017, mimeo., at 31 (Ordering Paragraph 5)). SoCalGas and SDG&E’s PSEP did not provide a project-by-project schedule. Rather, SoCalGas and SDG&E have been working to complete work reasonably, prudently, and as soon as practicable.

³ D.14-06-007, mimeo., at 2.

⁴ D.14-06-007, mimeo., at 22.

⁵ D.14-06-007, mimeo., at 59 (Ordering Paragraph 1).

⁶ D.14-06-007, mimeo., at 26 and 59 (Ordering Paragraph 2).

instant application requesting “authorization to proceed with Phase 2 of their Pipeline Safety Enhancement Plan (PSEP) and to establish memorandum accounts for the purpose of recording Phase 2 planning and engineering design costs for subsequent review and approval by the Commission.”⁷ In other words, SoCalGas and SDG&E plan to prepare and file a forecast application that will lay out future PSEP Phase 2 work for review and approval by the Commission – seemingly similar to what ORA is requesting in their comments. Subsequently, this proceeding has expanded in scope significantly. For example, A.15-06-013 is now also addressing the PSEP procedural process generally, PSEP interim rate recovery, and PSEP and TIMP projects rescheduled because of the limited availability of the Aliso Canyon storage facility. SoCalGas and SDG&E are appreciative of the Commission’s attention to these important matters, but the primary purpose of this application was for authorization to proceed with Phase 2 and develop a PSEP Phase 2 forecast application. At this point, SoCalGas and SDG&E are awaiting Commission resolution of an unopposed request to do so. The Commission should not further delay this proceeding (which will further delay Phase 2) by requiring SoCalGas and SDG&E to refile all of PSEP. Rather, the Commission should authorize the Phase 2 memorandum accounts and allow SoCalGas and SDG&E to proceed with their plan to file a separate Phase 2 forecast application.

II. SOCALGAS AND SDG&E HAVE PRUDENTLY MANAGED PSEP PROJECTS AND PSEP PROJECT RESOURCE USE

ORA also recommends that SoCalGas and SDG&E clarify whether the rescheduling of the six PSEP projects because of the limited availability of the Aliso Canyon storage facility will

⁷ A.15-06-013, mimeo., at 1.

lead to changes in the scheduling, pace, or estimated completion date of other projects.⁸ As a normal course of business, when projects are rescheduled (be that because of permit delays, material availability, or unplanned system conditions, such as the limited availability of Aliso Canyon) SoCalGas and SDG&E, where practicable, accelerate projects and/or re-allocate resources.⁹ Again, as discussed in SoCalGas and SDG&E's April 29, 2016 Response to the April 5, 2016 Assigned Commissioner's Scoping Memo and Ruling ("SoCalGas and SDG&E's Response"), rescheduling work is a routine part of operating the natural gas system.¹⁰ The same is true of reallocating resources when work is rescheduled.

Here, SoCalGas and SDG&E continue to manage their system and resources dynamically as issues and opportunities arise and have prudently responded to the limited availability of the Aliso Canyon storage facility and reallocated resources as appropriate. For example, resources not working on the six PSEP projects identified in this proceeding were redirected to other PSEP projects. Although SoCalGas and SDG&E do not track how redeploying resources from one project to another may impact risks, costs, or schedule; SoCalGas and SDG&E work to prudently deploy available resources to promote effective and expeditious PSEP execution. Indeed, despite the limited rescheduling driven by the Aliso Canyon storage facility's limited availability, SoCalGas and SDG&E still expect to complete Phase 1A in 2018. Again rescheduling work within a compliance window and reallocating resources is commonplace. This can and does occur because of permit delays, delayed receipt of materials, land rights issues, operational

⁸ ORA Comments at 3.

⁹ It is commonplace for a system operator to reschedule work within a compliance timeframe. If there is a compliance date that may be missed, SoCalGas and SDG&E would notify the Commission.

¹⁰ SoCalGas and SDG&E's Response at 1 and Attachment B (Michael J. Rosenfeld of Kiefner and Associates, Inc. analysis of the reasonableness of rescheduling projects).

needs, etc. Rescheduling work and reallocating resources is normal and reasonable, and ORA's recommendation to require additional requirements related to that effort should be rejected.

III. UPDATE TO PSEP'S PHASE 1B LINE 127 REPLACEMENT PROJECT

As explained in the SoCalGas and SDG&E Response, the Line 127 Replacement Project is a small (15 foot) Phase 1B project that was planned to be accelerated¹¹ to occur along with the La Goleta Storage Facility Hydrotest (in an effort to realize operating and cost efficiencies by performing the work during the same shut-in of the La Goleta storage facility and by the same personnel already onsite for the planned Phase 1A hydrotest). As a Phase 1B project, this section of Line 127 is un-piggable and pre-1946. Because it is a Phase 1B project, SoCalGas and SDG&E had planned to replace this 15-foot segment. However, SoCalGas and SDG&E believe there may be opportunities to avoid costs associated with this 15-foot segment. As background, Line 127 has the following characteristics:

- The 15-foot segment has record of a pressure test that was performed in 1968;
- The 15-foot segment is located *before* a pig launcher; and
- The 15-foot segment is located where Line 127 starts within the La Goleta storage facility.

First, replacing this segment will not enhance system piggability because the segment is located before a pig launcher and where Line 127 starts within the La Goleta storage facility. Further, this segment was previously pressure tested and is located within SoCalGas' facilities (thus more

¹¹ Accelerated miles are miles that would otherwise be scheduled to be addressed in a later phase of PSEP under the approved prioritization process, but are being advanced to Phase 1A to realize operating and cost efficiencies.

easily observed and examined). Therefore, SoCalGas and SDG&E propose to perform a direct examination of this segment rather than replace it.

SoCalGas and SDG&E request the Commission determine that direct examination of this 15-foot segment is appropriate. In the alternative, SoCalGas and SDG&E propose to present the above direct examination proposal in a future application. If the Commission requires SoCalGas and SDG&E to file their request in a separate application, SoCalGas and SDG&E request that monthly leak surveys of this 15-foot segment not be required. This is because resolution of a forecast application might take years. And, during that time period, resources could be better used elsewhere, instead of performing monthly leak surveys of a previously pressure tested pipeline.

IV. CONCLUSION

SoCalGas and SDG&E again thank Safety and Enforcement Division and the Commission for their attention to these rescheduled projects. While SoCalGas and SDG&E are appreciative of the Commission's attention to the rescheduling of these seven projects, the Commission should be mindful that the continued delayed resolution of our Phase 2 request has resulted in the delay all of Phase 2 – encompassing hundreds of miles of pipe as compared to the seven projects addressed here. SoCalGas and SDG&E urge the Commission to not further delay PSEP or impose additional regulatory requirements in response to the limited rescheduling identified by SoCalGas and SDG&E. Again, rescheduling projects is common and reasonable and SoCalGas and SDG&E have prudently worked to execute the identified projects. The lone TIMP project is in the process of being inspected, with the first series of inline inspections completed on June 17, 2016. And, for PSEP, SoCalGas and SDG&E are only rescheduling five of 168 Phase 1A projects; with two of those five Phase 1A projects having already entered

construction.¹² For the remaining three Phase 1A projects, SoCalGas and SDG&E do not oppose SED's interim safety measures. Finally, for the accelerated PSEP Phase 1B project, in an effort to avoid costs and in recognition of the unique characteristics of the short segment, SoCalGas and SDG&E are proposing directly examining the segment as an alternative to replacement.

Respectfully submitted,

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¹² The sixth PSEP project, the Line 127 Replacement, is a Phase 1B project that had planned to be accelerated to occur along with a Phase 1A project to realize efficiencies.